

Message Text

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ACTION ARA-20

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SUBJ: ARGENTINE NATIONALIZES BANK AND OTHER FINANCIAL DEPOSITS -
INTERNAL CREDIT COMPLETELY CONTROLLER

REF: A) BA-4539; B) A-308 DATED JULY 2, 1973

1. SUMMARY. ARGENTINE CONGRESS, ON AUGUST 2, COMPLETED ACTION ON LAW WHICH NATIONALIZES DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS. COMMERCIAL BANKS WILL CONTINUE TO OPERATE ACTING AS AGENTS OF CENTRAL BANK. CREDITS WILL BE EXTENDED BY FINANCIAL INSTITUTIONS IN ACCORDANCE WITH GUIDELINES ESTABLISHED BY CENTRAL BANK USING ADVANCE OF REDISCOUNTS GRANTED THEM. BANKS TO RETAIN RESPONSIBILITY FOR CREDIT WORTHINESS OF BORROWERS AND LOANS MADE. NEW SYSTEM FOR BANKING OPERATIONS GOVERNING DEPOSITS AND EXTENSION OF CREDIT EXPECTED TO COME INTO EFFECT ABOUT SEPTEMBER 1, 1973.

2. APPROVAL BY THE CHAMBER OF DEPUTIES COMPLETED CONGRESSIONAL ACTION ON LEGISLATION WHICH PLACES FULL CONTROL OF FINANCIAL DEPOSITS AND CREDIT OPERATIONS IN HANDS OF CENTRAL BANK (CB). MAIN PROVISIONS OF LAW OUTLINED IN PARA (3). FULL TEXT WILL BE FORWARDED WHEN PUBLISHED.

3. PRINCIPAL ARTICLES OF NEW LAW ARE AS FOLLOWS:

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ARTICLE (1). COMMERCIAL, INVESTMENT, DEVELOPMENT, MORTGAGE

BANKS, SAVINGS BANKS, MUTUAL CREDIT SOCIETIES AND FINANCIAL INSTITUTIONS SHALL TRANSFER ALL THEIR DEPOSITS TO CB. IN FUTURE CB WILL BE ONLY ENTITY IN ARGENTINA TO RECEIVE DEPOSITS.

ARTICLE (2). REQUIREMENTS OF ARTICLE (1), NOT ONLY APPLIES TO THIRD PARTY DEPOSITS IN INSTITUTIONS MENTIONED, BUT ALSO ANY OTHER FORM OF RECEIVING FUNDS FROM PUBLIC.

ARTICLE (3). BANKS AND FINANCIAL INSTITUTIONS MAY NOT DRAW UPON OR UTILIZE DEPOSITS OR SIMILAR FUNDS WITHOUT AUTHORIZATION OF CB EXCEPT TO CARRY OUT WITHDRAWALS FOR ACCOUNT OF OWNERS OF FUNDS. AS LEGAL AGENTS FOR CB, BANKS AND FINANCIAL INSTITUTIONS WILL ACCEPT AND HANDLE DEPOSITS OF CLIENTS UNDER RULES TO BE ESTABLISHED.

ARTICLE (4). TO PROVIDE FOR THE CONTINUITY OF FINANCIAL LENDING AND INVESTMENT ACTIVITY, BANKS AND FINANCIAL INSTITUTIONS WILL OPERATE AT THEIR OWN EXCLUSIVE RISK WITH ADVANCES AND REDISCOUNTS TO BE PROVIDED THEM BY CB UNDER RULES TO BE ESTABLISHED BY CB FOR DIFFERENT TYPES OF FINANCIAL INSTITUTIONS.

ARTICLE (5). IN MAKING ADVANCES TO OR PROVIDING REDISCOUNTS TO BANKS AND FINANCIAL INSTITUTIONS, CB TO TAKE FOLLOWING INTO CONSIDERATION: (A) THE STATE OF THE MONEY MARKET; (B) THE NATURE OF THE FINANCIAL INSTITUTION INVOLVED; (C) OBJECTIVES OF GENERAL AND FINANCIAL CREDIT POLICY; (D) SECTORAL AND REGIONAL PRIORITIES; (E) CONTRIBUTION OF EACH BANKING AND FINANCIAL ENTITY IN SECURING DEPOSITS; (F) THE LIQUIDITY OF EACH FINANCIAL ESTABLISHMENT AND THE LEVEL OF ITS CONTINGENT OBLIGATIONS; (G) FOR FOREIGN BANKS, SPECIAL ATTENTION AND CONSIDERATION WILL BE GIVEN IN ACCORDANCE WITH THE CONTRIBUTION THESE BANKS HAVE MADE TO PROMOTE FINANCIAL AND COMMERCIAL OPERATIONS WITH EXTERNAL MARKETS.

ARTICLE (6). CB WILL FIX INTEREST CHARGES FOR ADVANCES AND REDISCOUNTS WHICH MAY VARY IN ACCORDANCE WITH DIFFERENT CIRCUMSTANCES RESULTING FROM CONSIDERATIONS IN ARTICLE (5).

ARTICLE (7). CB WILL ESTABLISH AND BE RESPONSIBLE FOR PAYING INTEREST RATES TO BE PAID TO DEPOSITORS.

ARTICLE (8). BANKS AND INSTITUTIONS ACTING AS LEGAL AGENTS OF CB WILL RECEIVE COMMISSION TO BE ESTABLISHED BY CB. THESE MAY VARY ACCORDING TO LOCATION AND TYPE OF INSTITUTION.

ARTICLE (9). CB MAY EXTEND THE APPLICATION OF THIS LAW TO ALL ENTITIES WHICH PLAY ANY FUNCTION OR INTERMEDIATE ROLE BETWEEN THE SUPPLY AND DEMAND OF FINANCIAL RESOURCES.

ARTICLE (10). ARGENTINE GOVERNMENT GUARANTEES ALL DEPOSITS
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AND FUNDS ACCEPTED UNDER THIS SYSTEM WITHOUT LIMITATION CONCERNING THE AMOUNT OR OWNERSHIP OF THE DEPOSIT.

FINAL ARTICLES. CB TO PREPARE IMPLEMENTING REGULATIONS FOR THIS LAW AND ESTABLISH DATE FOR IMPLEMENTATION OF SYSTEM WITHIN 45 DAYS OF PROMULGATION OF LAW.

4. EMBASSY CONTACTS AMONG BANKS HAVE BEEN TOLD CB ALREADY LARGELY PREPARED TO IMPLEMENT SYSTEM DESCRIBED ABOVE. THEY ANTICIPATE

SYSTEM WILL BE PLACED INTO EFFECT NO LATER THAN SEPTEMBER 1, 1973.
MANY BANKS CONCERNED OVER WIDE DISCRETION AND
AUTHORITY GIVEN CB AUTHORITIES AND ARE AWAITING EVIDENCE THAT
IMPLEMENTATION WILL DEMONSTRATE EVENHANDEDNESS ON PART OF
AUTHORITIES. THIS NEW LAW IS RECEIVED BY MANY OBSERVERS AS FURTHER
EVIDENCE OF DETERMINATION GOA AUTHORITIES INCREASE
AND SOLIY CENTRALIZED CONTROL OVER
IMPORTANT ELEMENTS OF ECONOMY AND OVER TOOLS
THROUGH WHICH ECONOMY CAN BE ADJUSTED
AND DIRECTED IN PURSUIT OF THE POLITICAL, ECONOMIC
AND SOCIAL OBJECTIVES OF THE GOVERNMENT.
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